

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

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P 091150Z JAN 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3308

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 0458

E.O. 11652: N/A

TAGS: BGEN, EINV, IN

SUBJECT: NATIONAL STARCH AND CHEMICAL CORPORATION JOINT VENTURE
PROPOSAL

REF: NEW DELHI 15340, 16178, STATE 275955

1. AFTER ALMOST THREE YEARS OF SUSTAINED EFFORT THE NATIONAL STARCH PROPOSAL FOR THE ESTABLISHMENT OF A NEW JOINT MANUFACTURING VENTURE IN INDIA WITH ANIL STARCH OF AHMEDABAD WAS REJECTED BY THE GOI CABINET SUB-COMMITTEE ON DECEMBER 22, 1975. ANIL STARCH, THE PROPOSED INDIAN PARTNER, HAS BEEN OFFICIALLY NOTIFIED BY THE MINISTRY OF INDUSTRY THAT ITS PROPOSAL IS UNACCEPTABLE.

2. THE GROUNDS FOR REJECTION, AS CONVEYED TO ANIL STARCH, ARE THAT THE PROPOSED JOINT VENTURE WOULD NOT IN ANY WAY CONTRIBUTE TO INDIA'S IMPORT SUBSTITUTION PROGRAM AND THAT THE LEVEL AND SOPHISTICATION OF TECHNOLOGY INDIA WOULD RECEIVE FROM NATIONAL STARCH WAS OF THE TYPE THAT INDIA HAD THE CAPABILITY OF DEVELOPING INDIGENOUSLY.

3. THE NATIONAL STARCH PROPOSAL STIRRED UP AN UNUSUAL AMOUNT OF CONTROVERSY WITHIN THE GOI EVER SINCE IT WAS PRESENTED IN
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OCTOBER 1971 AS WELL AS DURING PUBLIC HEARINGS OF THE ANIL

STARCH PROPOSAL WHEN IT CAME UP BEFORE THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES COMMISSION. EXISTING INDIAN MANUFACTURERS, MOST OF WHOM ARE IN THE MEDIUM AND SMALL SCALE SECTOR, OPPOSED APPROVAL ON THE GROUND THAT A TIE-UP BETWEEN ANIL AND NATIONAL WOULD SERIOUSLY HARM THEIR EXISTING OPERATIONS AND JEOPARDIZE ALL PROSPECTS OF FUTURE GROWTH AND DEVELOPMENT LEADING TO EVEN POSSIBLE CLOSURE OF SEVERAL EXISTING UNITS. ALTHOUGH NOT DIRECTLY CONCERNED, MINISTER OF LAW AND COMPANY AFFAIRS GOKHALE TOOK UNUSUAL PERSONAL INTEREST IN THE CASE AND VEHEMENTLY OPPOSED THE ANI-NATIONAL PROPOSAL.

4. THE COMPANY HAS BEEN GIVEN THE STATUTORY THREE WEEK PERIOD TO MAKE ANY REPRESENTATION OR COUNTER PROPOSAL AGAINST THE GOI'S ORDER. THE EMBASSY UNDERSTANDS THAT ANIL-NATIONAL PROPOSE TO MAKE A REPRESENTATION TO THE MINISTRY OF INDUSTRY. THE CHANCES OF THE GOI REVERSING ITS DECISION, HOWEVER, APPEAR TO BE REMOTE.
SAXBE

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Message Attributes

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